AMENDED IN SENATE AUGUST 25, 1997
AMENDED IN SENATE JULY 22, 1997
AMENDED IN SENATE JULY 8, 1997
AMENDED IN SENATE JUNE 30, 1997
AMENDED IN SENATE JUNE 26, 1997
AMENDED IN ASSEMBLY MAY 21, 1997
AMENDED IN ASSEMBLY APRIL 9, 1997

CALIFORNIA LEGISLATURE—1997-98 REGULAR SESSION

ASSEMBLY BILL

No. 1395

Introduced by Assembly Member Escutia

February 28, 1997

An act to amend Section 10161.8 of the Business and Professions Code, to amend Sections 19271 and 19272 of, to amend and renumber Section 19532 of, and to add Section Section 19271 of, and to add Section 19274 to, the Revenue and Taxation Code, and to add Section 11475.7 to the Welfare and Institutions Code, relating to child 1088.7 to the Unemployment Insurance Code, relating to child support.

LEGISLATIVE COUNSEL'S DIGEST

AB 1395, as amended, Escutia. Child support: enforcement of delinquencies: Franchise Tax Board.

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Existing law requires real estate brokers to immediately notify the Real Estate Commissioner whenever a real estate salesperson is employed by or terminated by a broker.

This bill would require a real estate broker's notice to include his or her federal and state employer identification number, and would require the Real Estate Commissioner, no less than every 30 days, to release that information to enter into an interagency agreement with the Employment Development Department to provide, on a monthly basis, specified information, including the broker's full name and address, and federal or state employer or other state identification number, and the salesperson's name, address, and social security number, to the Franchise Tax Board for purposes of enforcing child support obligations.

Existing law requires a district attorney to take appropriate action to establish, modify, and enforce child support orders when the child is receiving public assistance, and when appropriate, to take the same actions on behalf of a child who is not receiving public assistance. Under existing law, the district attorney may refer child support delinquencies to the Franchise Tax Board for collection.

This bill would require, or authorize under specified circumstances, the district attorney enforcing child support obligations to refer all child support delinquencies, as specified, to the Franchise Tax Board for collection, except that a county would be authorized to apply for an exemption from the State Department of Social Services if the county collection program meets specified conditions.

Existing law authorizes a county district attorney, when a child support delinquency is reported to the State Department of Social Services, as specified, to refer the delinquency to the Franchise Tax Board for collection.

Existing law requires that the county district attorney receive credit for no less than 50% of the amount of collections made pursuant to the referral and receive no less than 50% of the applicable child support enforcement incentives, and permits the State Department of Social Services and the board to prescribe guidelines regarding the distribution of the amount in excess of that 50% of the incentives.

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This bill would delete those provisions and instead provide that the district attorney receive credit for the full amount of the collections and the applicable enforcement incentives, and that collection costs incurred by the Franchise Tax Board be paid by federal reimbursement, with any balance to be paid from the General Fund.

This bill would, as provided, also authorize the district attorney to refer to the Franchise Tax Board cases in which the social security number of the noncustodial parent is unknown, to assist the district attorney in establishing or enforcing a child support order. The bill would impose a state-mandated local program by adding to the duties of district attorneys. The bill would provide that the district attorney would receive credit for the amount collected when a referral is made.

This bill would, commencing July 1, 1998, require any service-recipient, as defined, who makes or is required to file a federal tax information return with regard to certain payments made to a service-provider, to report specified information to the Employment Development Department regarding those payments. The bill would provide that this information may be released only for purposes of establishing, enforcing support obligations modifying, or or enforcement.

Existing law requires amounts collected by the Franchise Tax Board to be applied to debts in a specified order.

This bill would provide that a voluntary payment by an obligated parent for a child support delinquency would be applied solely to the child support delinquency. This bill would provide that the Franchise Tax Board shall not engage in, or shall cease, an involuntary collection action to collect a referred delinquency under specified conditions.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

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This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

This bill would provide that it shall become operative only if AB 573 and SB 247 of the 1997-98 Regular Session are enacted and become effective on or before January 1, 1998.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- SECTION 1. Section 10161.8 of the Business and 1 2 Professions Code is amended to read:
- 10161.8. (a) Whenever 3 a real estate salesperson enters the employ of a real estate broker, the broker shall
- 5 immediately notify the commissioner thereof in writing.
- The notice shall include the broker's federal employer
- identification number, California state employer
- number, social security number, or other identifying
- 9 number as required by the Employment Development
- 10 Department.

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- (b) Whenever employment 11 of a real 12 salesperson is terminated, the broker shall immediately notify the commissioner thereof in writing. 13
 - (c) Whenever a licensee acquires a business address different from the address shown on his or her license he or she shall mark out the former address on the face of the license and type or write the new main office address in ink on the reverse side, and date and initial the same.
- (d) Whenever a real estate salesperson enters the 20 employ of a new real estate broker he or she shall mark out the name of his or her former broker on the face of the license and type or write the name of the new employing broker in ink on the reverse side, and date and initial the same.
- (e) The commissioner shall release, no less than every 26 30 days, the information reported in the notification under subdivisions (a) and (b), including the real estate broker's name and address and the salesperson's name,

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address, and social security number, to the Franchise Tax Board for purposes of enforcing child support obligations under Section 11475.1 of the Welfare and Institutions 3 Code and for child support collection purposes 5 authorized under Article 5 (commencing with Section 19271) of Chapter 5 of Part 10.2 of Division 2 of the 6 Revenue and Taxation Code. The information released under this subdivision to the Franchise Tax Board shall be 9 on magnetic media or in other machine-readable form according to standards acceptable to, and as required by, 10 the Franchise Tax Board. The notification by a real estate broker under this section shall satisfy that broker's 12 reporting requirement for those real estate salespersons 13 under Section 11475.7 of the Welfare and Institutions 14 15 Code.

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(e) The commissioner shall enter into an interagency 17 with the **Employment Development** agreement 18 Department to provide that department, on a monthly 19 basis, the information reported in the notification under 20 subdivisions (a) and (b), including the real estate federal 21 broker's full name. address, emplover 22 identification number, California state employer account 23 number, or other identifying number as required by the and 24 Employment **Development** Department, 25 salesperson's name, address, and social security number, inclusion in the registry of service-providers established under Section 1088.7 of the Unemployment Insurance Code. The notification by a real estate broker under this section shall satisfy that broker's reporting requirement as a service-recipient under Section 1088.7 of the Unemployment Insurance Code.

SEC. 2. Section 19271 of the Revenue and Taxation Code is amended to read:

34 19271. (a) (1) A county district attorney enforcing 35 child support obligations pursuant to Section 11475.1 of the Welfare and Institutions Code shall refer child 36 support delinquencies to the Franchise Tax Board for 37 collection. For purposes of this article, a "child support 38 delinquency" shall mean a child support obligation that may include or be limited to interest, fees, or penalties, AB 1395 -6-

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on which the payment then due has not been received following the expiration of 90 days from the date payment is due. If there is a child support delinquency at the time the case is opened by the district attorney, the case shall be referred to the Franchise Tax Board no later than 90 days after the case is opened receipt of the case by the district attorney. A county district attorney may also refer to the Franchise Tax Board a child support obligation that is 30 days or more past due, and any of these obligations shall be collected as if they were delinquencies otherwise 10 described in this subdivision.

- (2) Referrals shall be transmitted in the form and manner prescribed by the Franchise Tax Board.
- (3) In order to manage the growth in the number of 15 referrals that it may receive, the Franchise Tax Board may phase in the referrals as administratively necessary.
 - (4) At least 20 days prior to the date that the Franchise Board commences collection action under this article, the Franchise Tax Board shall mail notice of the amount due to the obligated parent at the last known address for payment and advise that person that failure to pay will result in collection action. If the obligated parent disagrees with the amount due, the obligated parent shall be instructed to contact the county district attorney.
- (b) (1) (A) Except as otherwise provided in subparagraph (B), when a delinquency is referred to the 28 Franchise Tax Board pursuant to subdivision (a), amount of the child support delinquency shall 30 collected from obligated parents by the Franchise Board in any manner authorized under the law collection of a delinquent personal income tax liability, including, but not limited to, issuance of an order and levy 34 under Article 4 (commencing with Section 706.070) of 35 Chapter 5 of Division 2 of Title 9 of Part 2 of the Code of 36 Civil Procedure in the manner provided for earnings withholding orders for taxes. Any law providing for the collection of a delinquent personal income tax liability shall apply to delinquencies referred under this article in the same manner and with the same force and effect and

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to the full extent as if the language of such those laws had been incorporated in full into this article, except to the extent that any provision is either inconsistent with a provision of this article or is not relevant to this article.

(B) When a delinquency is referred to the Franchise Tax Board pursuant to subdivision (a), or at any time thereafter if the obligated parent owes a delinquent personal income tax liability, the Franchise Tax Board shall not engage in, or shall cease, any involuntary 10 collection action to collect the delinquency referred under this article, until the delinquent personal income 12 tax liability is paid in full. In the event the obligated parent owes a delinquent personal income tax liability 14 when a delinquency is referred, the Franchise Tax Board 15 shall mail the notice specified in paragraph (4) of 16 subdivision (a). At any time thereafter, the Franchise Tax 17 Board may mail any other notice to the obligated parent 18 for voluntary payment as the Franchise Tax Board deems necessary. However, the Franchise Tax Board engage in the collection of a delinquency referred 21 pursuant to subdivision (a) under either of the following 22 circumstances:

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(i) The delinquent personal income tax liability is discharged from accountability pursuant to Section 13940 of the Government Code.

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- (ii) The obligor has entered into an installment payment agreement for the delinquent personal income tax liability and is in compliance with that agreement, and the Franchise Tax Board determines that collection of the delinquency referred pursuant to subdivision (a) would not jeopardize payments under the installment agreement.
- (C) For purposes of subparagraph (B), the following 36 definitions apply:
- action" 37 (i) "Involuntary collection means those actions authorized by Section 18670, 18670.5, 18671, or 38 19264, by Article 3 (commencing with Section 19231), or by Chapter 5 (commencing with Section 706.010) of

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Division 2 of Title 9 of Part 2 of the Code of Civil Procedure.

- (ii) "Delinquent personal income tax liability" means any taxes, additions to tax, penalties, interest, fees, or other related amounts due and payable under Part 10 (commencing with Section 17001) or this part.
- (iii) "Voluntary payment" means any payment made by obligated parents in response to the notice specified in paragraph (4) of subdivision (a) or any other notice for 10 voluntary payment mailed by the Franchise Tax Board.
- (2) Any compensation, fee, commission, expense, or 12 any other fee for service incurred by the Franchise Tax Board in the collection of a child support delinquency 14 authorized under this article shall not be an obligation of, or collected from, the obligated parent. A referred child 16 support delinquency shall be final and due and payable to the State of California upon written notice to the obligated parent by the Franchise Tax Board.
 - (3) For purposes of administering this article:
 - (A) This chapter and Chapter 7 (commencing with Section 19501) shall apply, except as otherwise provided by this article.
- (B) Any services, information, or enforcement 24 remedies available to a district attorney or the Title IV-D agency in collecting support delinquencies or locating absent or noncustodial parents shall be available to the Franchise Tax Board for purposes of collecting child support delinquencies under this article, including, but not limited to, any information that may be disclosed by 30 the Franchise Tax Board to the California Parent Locator Service under Section 19548.
- (C) A request by the Franchise Tax Board for 33 information from a financial institution shall be treated in 34 the same manner and to the same extent as a request for 35 information from a district attorney referring to a support 36 order pursuant to Section 11475.1 of the Welfare and purposes Institutions Code for of Chapter (commencing with Section 7460) of Division 7 of Title 1 the Government Code (relating to governmental access to financial records), notwithstanding any other

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provision of law which is inconsistent or contrary to this paragraph.

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- (D) "Earnings" may include the items described in Section 5206 of the Family Code.
- (E) The amount to be withheld in an order and levy to collect child support delinquencies under Article 4 (commencing with Section 706.070) of Chapter 5 of Division 2 of Title 9 of Part 2 of the Code of Civil Procedure is the amount required to be 10 pursuant to an earnings withholding order for support under Section 706.052 of the Code of Civil Procedure.
- (c) Interest on the delinquency shall be computed 13 pursuant to Section 685.010 of the Code of Civil 14 Procedure.
- (d) In the event the collection action would cause 16 undue financial hardship to the obligated parent, would threaten the health or welfare of the obligated parent or 18 his or her family, or would cause undue irreparable loss to the obligated parent, the obligated parent may notify the Franchise Tax Board, which shall upon being notified which shall, upon being notified, refer the obligated parent to the referring county district attorney, unless the 23 Franchise Tax Board is directed otherwise by the county district attorney for purposes of more effectively administering this article.
- (e) (1) In no event shall a collection under this article 26 27 be construed to be a payment of income taxes imposed 28 under this part.
- (2) In the event an obligated parent overpays a liability imposed under this part, the overpayment shall be credited against any delinquency pursuant to this article. In the event an overpayment of a liability imposed under this part is offset and distributed a referring county district attorney pursuant 34 to Sections 12419.3 and 12419.5 of the Government Code or 36 Section 708.740 of the Code of Civil Procedure, and thereby reduces the amount of the referred delinquency, the referring county district attorney shall immediately notify the Franchise Tax Board of that reduction, unless

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otherwise directed for purposes of more effectively administering this article.

- (3) In no event shall the district attorney refer or the Franchise Tax Board collect under this article any 5 delinquency if all both of the following circumstances 6 exist:
- (A) A court has ordered an obligated parent to make scheduled payments on a child support arrearages 9 obligation.
 - (B) The obligated parent is in compliance with the order.
- (C) The order does not provide the district attorney 13 with authority to engage in continued or additional 14 collection activities.
- (4) A child support delinquency need not be referred 16 to the Franchise Tax Board pursuant to this article if an earnings assignment order or a notice of assignment has 18 been served on the obligated parent's employer and court-ordered support is being paid pursuant to the 20 earnings assignment order or the notice of assignment or 21 at least 50 percent of the obligated parent's earnings are being withheld for support.
- (5) A child support delinquency need not be referred 24 to the Franchise Tax Board for collection if a jurisdiction 25 outside this state is enforcing the support order.
- (f) Except as otherwise provided in this article, any 27 child support delinquency referred to the Franchise Tax 28 Board pursuant to this article shall be treated as a child support delinquency for all other purposes, and any 30 collection action by the county district attorney or the 31 Franchise Tax Board with respect to any delinquency referred pursuant to this article shall have the same priority against attachment, execution, assignment, or 34 other collection action as is provided by any other provision of state law.
- (g) For purposes of this article, "child support" means 36 37 support of a child, spouse, or family as provided in Section 150 of the Family Code. 38
- (h) Nothing in this article shall be construed to modify 39 the tax intercept provisions of Article 8 (commencing

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with Section 708.710) of Chapter 6 of Division 2 of Part 2 of the Code of Civil Procedure.

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- (i) Except otherwise specifically provided as subparagraph (B) of paragraph (1) of subdivision (b), the child support collection activities authorized by this article shall not interfere with the primary mission of the Franchise Tax Board to fairly and efficiently administer Revenue and Taxation Code for which responsible.
- (j) Information disclosed to the Franchise Tax Board shall be considered information that may be disclosed by the Franchise Tax Board under the authority of Section 19548 and may be disseminated by the Franchise Tax 14 Board accordingly for the purposes specified in Sections 11478 and 11478.5 of the Welfare and Institutions Code (in accordance with, and to the extent permitted by, Section 11478.1 of the Welfare and Institutions Code and any other state or federal law).
- (k) A county may apply to the State Department of 20 Social Services for an exemption from subdivision (a). The State Department of Social Services shall grant an exemption only if the county has a program for collecting including delinquent child support, hardware software, that is similar or identical to the technology used by the Franchise Tax Board in implementing its child support collections program and the program was in operation as of April 1, 1997.
 - SEC. 3. Section 19272 of the Revenue and Taxation Code is amended to read:
- 19272. (a) Any child support delinquency collected by the Franchise Tax Board, including those amounts that result in overpayment of a child support delinquency, shall be deposited in the State Treasury, after clearance 34 of the remittance, to the credit of the Special Deposit 35 Fund and distributed as specified by interagency 36 agreement executed by the Franchise Tax Board and the State Department of Social Services, with the 38 concurrence of the Controller. Notwithstanding Section 13340 of the Government Code, all moneys deposited in the Special Deposit Fund pursuant to this article are

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hereby continuously appropriated, without regard to fiscal years, for purposes of making distributions.

- (b) When a child support delinquency, or any portion thereof, has been collected by the Franchise Tax Board pursuant to this article, the district attorney shall be notified that the delinquency or some portion thereof has been collected and shall be provided any other necessary relevant information requested.
- (c) The referring county district attorney shall receive 10 eredit for the amount of collections made pursuant to the referral, and shall receive the applicable child support enforcement incentives pursuant to Section 15200.85 of the Welfare and Institutions Code. Collection costs 14 incurred by the Franchise Tax Board shall be paid by federal reimbursement with any balance to be paid from the General Fund.

SEC. 4.

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- SEC. 3. Section 19274 is added to the Revenue and Taxation Code, to read:
- 19274. The county district attorney may refer to the 21 Franchise Tax Board cases in which the social security number of the noncustodial parent is unknown. The 23 Franchise Tax Board shall search its records to obtain the 24 noncustodial parent's social security number and furnish 25 this information to the county district attorney to assist in 26 the establishment or enforcement of a child support order. For purposes of administering this section, the 28 Franchise Tax Board may use any services or information available for tax enforcement purposes, and or available 30 to a district attorney or the Title IV-D agency in collecting or enforcing child support, or in locating absent or noncustodial parents.
- SEC. 5. Section 19532 of the Revenue and Taxation 34 Code, as amended by Chapter 1001 of the Statutes of 1996, is amended and renumbered to read:
- 19533. In the event the debtor has more than one debt 36 37 being collected by the Franchise Tax Board and the amount collected by the Franchise Tax Board is insufficient to satisfy the total amount owing, the amount collected shall be applied in the following priority:

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(a) Payment of any taxes, additions to tax, penalties, interest, fees, or other amounts due and payable under Part 10 (commencing with Section 17001), Part 11 (commencing with Section 23001), or this part.

- (b) Payment of any debts referred for collection under Article 5 (commencing with Section 19271) of Chapter 5.
- (c) Payment of delinquent wages collected pursuant to the Labor Code.
- 9 (d) Payment of delinquencies collected under Section 10 10878.
 - (e) Payment of any amounts due that are referred for collection under Article 6 (commencing with Section 19280) of Chapter 5.
 - (f) Payment of any amounts that are referred for collection pursuant to Section 62.9 of the Labor Code.
 - (g) Payment of delinquent penalties collected for the Department of Industrial Relations pursuant to the Labor Code
 - (h) Payment of delinquent fees collected for the Department of Industrial Relations pursuant to the Labor Code.
 - (i) Payment of delinquencies referred by the Student Aid Commission pursuant to Section 16583.5 of the Government Code.
 - (j) Notwithstanding the payment priority established by this section, voluntary payments made by an obligated parent for a child support delinquency pursuant to subparagraph (B) of paragraph (1) of subdivision (b) of Section 19271 shall not be applied pursuant to this priority but shall instead be applied solely to the child support delinquency for which the voluntary payment was made.
- 32 SEC. 6. Section 11475.7 is added to the Welfare and 33 Institutions Code, to read:
- 34 11475.7. (a) Any service-recipient, as defined in
- 35 SEC. 4. Section 1088.7 is added to the Unemployment 36 Insurance Code, to read:
- 37 1088.7. Any service-recipient, as defined in 38 subdivision (b), who makes or is required to make a 39 return to the Internal Revenue Service, in accordance 40 with Section 6041A(a) of the Internal Revenue Code

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payments made to a service-provider as (relating to compensation for services) shall file with the 3 **Employment** - Development -- Department department information as required under subdivision (c).

(b) For purposes of this section:

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- (1) "Service-recipient" means any individual, person, corporation, association, or partnership, or agent thereof, doing business in this state, deriving income from sources within this state, or in any manner whatsoever subject to 10 the laws of this state. "Service-recipient" also includes, the State of California or any political subdivision thereof, including the Regents of the University of California, any organized under a freeholder's charter, or any political body not a subdivision or agency of the state, and any person, employee, department, or agent thereof.
 - (2) "Service-provider" means an individual who is not employee of the service-recipient for California an purposes and who receives compensation or executes a contract for services performed for that service-recipient within or without the state.
 - (c) (1) Each service-recipient shall report all of the following information to the Employment Development Department, within 30 department, within 20 days of the earlier of first making payments of six hundred dollars (\$600) or more in any year to a service-provider, or entering into a contract or contracts service-provider providing for payments of six hundred dollars (\$600) or more in any year:
 - (A) The first initial, last name, full name and social security number of the service-provider.
- (B) The service-recipient's name, address, telephone 32 number, and identifying number, such as a federal employer identification number, state employer 34 identification number, State Board of Equalization identification number, or Secretary of State assigned corporation number.
- (B) The service-recipient's name, business name, address, telephone number, 38 social security number, federal employer identification number, California state

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employer account number, or other identifying number required by the department.

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- (C) The date the contract is executed, or if no contract, the date payments first total six hundred dollars (\$600) or more.
- (D) The total dollar amount of the contract, if any, and the contract expiration date.
- (2) Notification to the Real Estate Commissioner under subdivisions (a) and (b) of Section 10161.8 of the 10 Business and Professions Code shall satisfy the reporting requirement of real estate brokers under this section relating to those real estate salespersons.
- **Employment** Development Department (d) The 14 department shall retain information collected pursuant to this section until November 1 following the tax year in which the contract is executed, or if no contract, the tax year in which the payments first total six hundred dollars 18 (\$600) or more.
- (e) Information the obtained by **Employment** 20 Development Department department pursuant to this section may be released only for purposes of establishing, 22 modifying, or enforcing child support obligations under Section 11475.1 and for child support collection purposes authorized under Article 5 (commencing with Section 19271) of Chapter 5 of Part 10.2 of the Revenue and Taxation Code or to the Franchise Tax Board for tax enforcement purposes, or for the administration of this code.
- 29 (f) This section shall become operative on July 1, 1998. 30 SEC. 7.
- 31 5. Notwithstanding Section 17610 32 Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the reimbursement to local agencies 34 state, and 35 districts for those costs shall be made pursuant to Part 7 36 (commencing with Section 17500) of Division 4 of Title 37 2 of the Government Code. If the statewide cost of the 38 claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from 40 the State Mandates Claims Fund.

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- 1 Notwithstanding Section 17580 of the Government
- 2 Code, unless otherwise specified, the provisions of this act
- 3 shall become operative on the same date that the act
- 4 takes effect pursuant to the California Constitution.
- 5 SEC. 8.
- 6 SEC. 6. This act shall become operative only if
- 7 Assembly Bill 573 and Senate Bill 247 of the 1997–98
- 8 Regular Session are enacted and become effective on or
- 9 before January 1, 1998.